



Substitute Senate Bill No. 31

Public Act No. 05-162

**AN ACT CONCERNING NOTICE OF LATE FEES UNDER
PERSONAL RISK INSURANCE POLICIES AND THE
COMMISSIONERS' 2001 STANDARD ORDINARY MORTALITY
TABLE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective January 1, 2006*) Each insurer that assesses a fee for late payment of premium on a policy for personal risk insurance, as defined in section 38a-663 of the general statutes, shall indicate the amount and applicability of the fee in a conspicuous manner on the bill sent to the policyholder.

Sec. 2. Subsection (d) of section 38a-78 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(d) Except as otherwise provided in subsections (e), (f) and (l) of this section, the minimum standard for the valuation of all such policies and contracts issued prior to the effective date specified in accordance with the provisions of subsection (h) of section 38-130e of the general statutes, revision of 1958, revised to 1981, shall be that provided by the laws in effect immediately prior to such date, except that the minimum standard for the valuation of annuities and pure endowments purchased prior to January 1, 1973, under group annuity and pure

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endowment contracts shall be the 1971 Group Annuity Mortality Table, or any modification of this table approved by the commissioner, and an interest rate of five per cent per annum. Except as otherwise provided in subsections (e), (f) and (l) of this section, the minimum standard for the valuation of all such policies and contracts issued on and after such effective date shall be the commissioner's reserve valuation methods defined in subsections (g), (h) and (j) of this section, four and one-half per cent interest for all other such policies and contracts, and the following tables: (1) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies, the Commissioners' 1958 Standard Ordinary Mortality Table for such policies issued prior to the compliance date established by subdivision (11) of subsection (e) of section 38a-439, provided that for any category of such policies issued on female risks, all modified net premiums and present values referred to in this section may be calculated according to an age not more than six years younger than the actual age of the insured and for such policies issued on or after the compliance date established by subdivision (11) of subsection (e) of section 38a-439, (A) the Commissioners' 1980 Standard Ordinary Mortality Table, or (B) at the election of the company for any one or more specified plans of life insurance, the Commissioners' 1980 Standard Ordinary Mortality Table with ten-year select mortality factors, or (C) on or after January 1, 2005, until January 1, 2009, at the election of the company for any one or more specified plans of life insurance issued on or after January 1, 2004, on the basis of the Commissioners' 2001 Standard Ordinary Mortality Table, except that with respect to such plans issued before April 1, 2005, such mortality table shall be used solely for the basis of valuation and nonforfeiture and shall not be used to increase the previously agreed required premium, or (D) issued on or after January 1, 2009, the Commissioners' 2001 Standard Ordinary Mortality Table, or (E) any ordinary mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by

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regulations adopted by the commissioner in accordance with the provisions of chapter 54 for use in determining the minimum standard of valuation for such policies; (2) for all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies, the Commissioners' 1961 Standard Industrial Mortality Table or any industrial mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulations adopted by the commissioner in accordance with the provisions of chapter 54 for use in determining the minimum standard of valuation for such policies; (3) for total and permanent disability benefits in or supplementary to ordinary policies or contracts, the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 Disability Study of the Society of Actuaries, with due regard to the type of benefit or any tables of disablement rates and termination rates, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by regulations adopted by the commissioner in accordance with the provisions of chapter 54 for use in determining the minimum standard of valuation for such policies. These tables shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies; (4) for accidental death benefits in or supplementary to policies, the 1959 Accidental Death Benefits Table or any accidental death benefits table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulations adopted by the commissioner in accordance with the provisions of chapter 54 for use in determining the minimum standard of valuation for such policies. These tables shall be combined with a mortality table permitted for calculating the reserves for life insurance policies; and (5) for group life insurance, life insurance issued on the substandard basis and other special benefits, such tables as may be approved by the commissioner.

Sec. 3. Subsection (e) of section 38a-439 of the general statutes is

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repealed and the following is substituted in lieu thereof (*Effective from passage*):

(e) The provisions of this subsection shall apply to all policies issued on or after the compliance date established by subdivision (11) of this subsection. (1) Except as provided in subdivision (7) of this subsection, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments or special hazards and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of: (A) The then present value of the future guaranteed benefits provided for by the policy; (B) one per cent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years; and (C) one hundred twenty-five per cent of the nonforfeiture net level premium as hereinafter defined, provided that in applying the percentage specified in subparagraph (C), no nonforfeiture net level premium shall be deemed to exceed four per cent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years. The date of issue of a policy for the purpose of this subsection shall be the date as of which the rated age of the insured is determined; (2) the nonforfeiture net level premium shall be equal to the present value, at the date of issue of the policy, of the guaranteed benefits divided by the present value, at such date of issue, of an annuity of one per annum payable on the date of issue of the policy and on each anniversary of such policy on which a premium becomes due; (3) in the case of policies which, on a basis guaranteed in the policy, provide for unscheduled changes in benefits or premiums,

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or which provide an option for changes in benefits or premiums other than a change to a new policy, the adjusted premiums and present values shall initially be calculated on the assumption that future benefits and premiums do not change from those stipulated at the date of issue of the policy. At the time of any such change in the benefits or premiums the future adjusted premiums, nonforfeiture net level premiums and present values shall be recalculated on the assumption that future benefits and premiums do not change from those stipulated by the policy immediately after the change; (4) except as otherwise provided in subdivision (7) of this subsection, the recalculated future adjusted premiums for any such policy shall be the uniform percentage of the respective future premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments and special hazards, and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of change to the newly defined benefits or premiums, of all such future adjusted premiums shall be equal to the excess of (A) the sum of: (i) The then present value of the future guaranteed benefits provided for by the policy and (ii) the additional expense allowance, if any, over (B) the then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy; (5) the additional expense allowance, at the time of the change to the newly defined benefits or premiums, shall be the sum of (A) one per cent of the excess, if positive, of the average amount of insurance at the beginning of each of the first ten policy years subsequent to the change over the average amount of insurance prior to the change at the beginning of each of the first ten policy years subsequent to the time of the most recent previous change, or, if there has been no previous change, the date of issue of the policy; and (B) one hundred twenty-five per cent of the increase, if positive, in the nonforfeiture net level premium; (6) the recalculated nonforfeiture net level premium shall be equal to the

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amount obtained by dividing (A) by (B) where (A) equals the sum of (i) the nonforfeiture net level premium applicable prior to the change, multiplied by the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium would have become due had the change not occurred, and (ii) the present value of the increase in future guaranteed benefits provided for by the policy, and (B) equals the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium becomes due; (7) notwithstanding any other provisions of this subsection, in the case of a policy issued on a substandard basis which provides reduced graded amounts of insurance so that, in each policy year, such policy has the same tabular mortality cost as an otherwise similar policy issued on the standard basis which provides higher uniform amounts of insurance, adjusted premiums and present values for such substandard policy may be calculated as if it were issued to provide such higher uniform amounts of insurance on the standard basis; (8) all adjusted premiums and present values referred to in this section shall be calculated: (A) (i) For all policies of ordinary insurance on the basis of the Commissioners' 1980 Standard Ordinary Mortality Table or at the election of the company, for any one or more specified plans of life insurance, on the basis of the Commissioners' 1980 Standard Ordinary Mortality Table with ten-year select mortality factors, or (ii) On or after January 1, 2005, until January 1, 2009, at the election of the company for any one or more specified plans of life insurance issued on or after January 1, 2004, on the basis of the Commissioners' 2001 Standard Ordinary Mortality Table, except that with respect to such plans issued before April 1, 2005, such mortality table shall be used solely for the basis of valuation and nonforfeiture and shall not be used to increase the previously agreed required premium; or (iii) For all policies issued on or after January 1, 2009, on the basis of the Commissioners' 2001 Standard Ordinary Mortality Table; (B) for all policies of industrial

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insurance, on the basis of the Commissioners' 1961 Standard Industrial Mortality Table; (C) for all policies issued in a particular calendar year, on the basis of a rate of interest not exceeding the nonforfeiture interest rate as defined in this subsection, for policies issued in that calendar year, provided, that: (i) At the option of the company, calculations for all policies issued in a particular calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture interest rate, as defined in this subsection, for policies issued in the immediately preceding calendar year; (ii) under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by subsection (a) of this section, shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of such paid-up nonforfeiture benefit and paid-up dividend additions, if any; (iii) a company may calculate the amount of any guaranteed paid-up nonforfeiture benefit including any paid-up additions under the policy on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values; (iv) in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners' 1980 Extended Term Insurance Table for policies of ordinary insurance and not more than the Commissioners' 1961 Industrial Extended Term Insurance Table for policies of industrial insurance; (v) for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on appropriate modifications of the aforementioned tables; (vi) any ordinary mortality tables, adopted after 1980 by the National Association of Insurance Commissioners that are approved by regulations adopted by the commissioner in accordance with the provisions of chapter 54 for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners' 1980 Standard Ordinary Mortality Table with or without ten-year select mortality factors or the Commissioners' 1980

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Extended Term Insurance Table; (vii) any industrial mortality tables, adopted after 1980 by the National Association of Insurance Commissioners that are approved by regulations adopted in accordance with the provisions of chapter 54 by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners' 1961 Standard Industrial Mortality Table or the Commissioners' 1961 Industrial Extended Term Insurance Table; (9) the nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be equal to one hundred twenty-five per cent of the calendar year statutory valuation interest rate for such policy as defined in the standard valuation law, rounded to the nearest one quarter of one per cent; (10) notwithstanding any provision of the general statutes to the contrary, any refiling of nonforfeiture values or their methods of computation for any previously approved policy form which involves only a change in the interest rate or mortality table used to compute nonforfeiture values shall not require refiling of any other provisions of that policy form; (11) on or after October 1, 1981, but prior to January 1, 1989, any company may file with the commissioner a written notice of its election to comply with the provisions of this subsection on or after a specified date and the provisions of this subsection shall apply to such company on or after such specified date, except that on or after January 1, 2005, but prior to January 1, 2009, any company may file with the commissioner a written notice of its election to comply with the provisions of this subsection on or after a specified date with respect to the Commissioners' 2001 Standard Ordinary Mortality Table and the provisions of this subsection shall apply to such company. The provisions of this subsection shall apply to policies issued by any company on or after January 1, 1989, except that the provisions of this subsection with respect to the Commissioners' 2001 Standard Ordinary Mortality Table shall apply to policies issued by any company on or after January 1, 2009.

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